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QUESTION OF THE REALIZATION IN ALL COUNTRIES OF THE ECONOMIC, SOCIAL AND CULTURAL RIGHTS CONTAINED IN THE UNIVERSAL DECLARATION OF HUMAN RIGHTS AND IN THE INTERNATIONAL COVENANTS ON ECONOMIC, SOCIAL AND CULTURAL RIGHTS AND STUDY OF SPECIAL PROBLEMS WHICH THE DEVELOPING COUNTRIES FACE IN THEIR EFFORTS TO ACHIEVE THESE HUMAN RIGHTS

Written statement submitted by the International Organization for the Development of Freedom of Education, a non-governmental organization in special consultative status

The Secretary-General has received the following written statement, which is circulated in accordance with Economic and Social Council resolution 1296 (XLIV).

[11 March 1998]

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Financial globalization and human rights

1. In 1997, in connection with the session of the Commission on Human Rights, World University Service (EUM) and the International Organization for the Development of Freedom of Education (OIDEL), in conjunction with the Financial Monitoring Centre, organized a symposium on the topic of "Financial globalization and human rights". The participants included: Mr. Guy Guermeur, Vice-President, OIDEL, and former Vice-President, ACP Commission, European Parliament; Mr. Paul H. Dembinski, Secretary-General, Financial Monitoring Centre, and Professor, University of Fribourg; Mr. Rubens Ricupero, Secretary-General, United Nations Conference on Trade and Development (UNCTAD); Mr. David Hartridge, Director, Financial Services Division, World Trade Organization; Mr. Christian Comeliau, Professor, Graduate Institute of Development Studies (IEUD), Geneva, and Mr. Patrice Meyer-Bisch, Coordinator, Interdisciplinary Institute of Ethics and Human Rights, University of Fribourg. The main statements are summarized below.

Mr. Guy Guermeur, Vice-President, OIDEL

2. Globalization has advanced substantially in the past half century: countries and individuals have become more and more parts of a single space. While this has not been entirely without negative effects, there is no denying that the elimination of borders has yielded substantial general economic growth. All the appeals for the seeking of a different model have failed, and those who have firmly espoused the Western economic model have fared better than those who have hesitated.

3. By facilitating trade, globalization has increased wealth and this has benefited the fundamental rights (such as the right to eat one's fill, the right to security, or the rights to freedom of expression and to information). Nonetheless, the system remains imperfect. Major contradictions are apparent: between employees and consumers, between employees and capitalists, between developing and developed countries, between the best organized countries and those countries that are still searching to some degree for their common structures.

4. Consequently, I think that, while human rights have benefited from the opening of borders, they may be at risk here and there. Our task, therefore, is to seek out the injustices and to ward off the attacks on human rights. Sectoral remedies have been found (World Trade Organization, International Labour Office and other United Nations agencies).

5. Is it really utopian to think that, under pressure from public opinion, a new attitude will shortly emerge among economic actors that will lead to the appointment of a human rights "gendarme"?

Mr. Paul H. Dembinski, Secretary-General, Financial Monitoring Centre, and Professor, University of Fribourg

6. For the past 20 years, a profound change has been under way in the relationships between financial activities and the rest of the economy. It is urgent to give thought to its scope and consequences, especially in the social sphere.

7. While figures may not be able to tell us about the nature of this change, they can give us an idea of its magnitude. Between 1980 and 1993, the nominal gross national product of the countries members of the Organization for Economic Cooperation and Development rose by a factor of 2.5, world trade turnover by a factor of 3.4 and the value of financial assets traded on major stock markets by a factor of 7.7. At the same time, the volume of foreign-exchange transactions increased 15-fold. Growth in financial activities has thus been between two and four times higher than growth in the rest of the economy.

8. This acceleration is causing a fundamental change in the place of finance in the modern economy: it has gone from being a specialized economic sector to being a cross-cutting activity that affects agriculture and industry as well as services. Finance is now more a part of our private life than in the past; its place in public and political life is constantly growing.

9. On 15 August 1971, President Nixon suspended the dollar's convertibility into gold. The discord between, or powerlessness of the Governments of the time sparked off the process of "currency privatization" that continues even today with the steady erosion of central banks' power to create money.

10. The change in the relationships between finance and the rest of the economy has at least two consequences:

The first has to do with the merging of the monetary and financial spheres, which were previously both legally and institutionally distinct. This new state of affairs is forcing us to redefine the powers and means for action of national, international and supranational public authorities, especially as regards surveillance and regulation;

The second has to do with the growing ambiguity of the relationships between finance, which is now becoming a global activity, and currencies, which remain a symbol of sovereignty in the general interest.

11. The Financial Monitoring Centre was born of the belief that it is now more important than before to promote convergence between the changes in finance and the requirements of the common welfare. The reason is that, while financial markets are unquestionably changing, controlling them is more problematical. It seems unlikely that they will be able to control themselves as long as, under the pressure of competition, the concern for immediate results remains preponderant. Control from outside seems hardly feasible in the short term, given the complexity of the issues involved and the weakness of the existing institutions.

12. The current financial tensions have arisen because we have given free rein to the speculative tendency that is within each of us. We have allowed ourselves to be seduced and overly impressed by the clarity, elegance and apparent rationality of the language of figures. It is time to acknowledge that, while it is essential to the proper functioning of economy and society, finance cannot be the ultimate deciding factor in our individual, family, industrial, political or social choices. Only in that way, which means using our own sense of responsibility, can excesses be avoided.

Mr. Rubens Ricupero, Secretary-General, United Nations Conference on Trade and Development (UNCTAD)

13. As the century draws to a close, I see two major problems in the world: inequality, both within and between countries, and unemployment. In neither case has the twentieth century yielded any satisfactory solution; on the contrary, the problems have been aggravated by globalization. In unifying markets, globalization unifies the economic area worldwide. If, in the past, barriers were sometimes responsible for inefficiencies, they also helped to protect the weaker sectors. As barriers begin to disappear, competition is intensified and becomes an issue in itself. It is competition that has made the United States such a productive economy.

14. At the same time, competition is a game and, like all games, it needs rules and referees. Without rules, competition, instead of having a positive effect, as expected, is creating anxiety. People are being asked, in the name of competition, to give up job tenure and wage increases. That is tantamount to asking people to give up their need for security, although that need, together with the need for affection, makes humans what they are. It is here, to my mind, that there lies the conflict between globalization and not just human rights, but the human condition.

15. Globalization is often portrayed as a recent economic phenomenon. In fact, it began around the end of the fifteenth century, with Europe's expansion through the mercantilist capitalism of the voyages first to America and then to Asia. This was a period studded with painful and cruel events: oppression, genocide, the slave trade, but it ended once and for all the isolation of the various branches of civilization. At the origin of this first wave of globalization was a cultural phenomenon. The economic change was made possible by new navigation techniques, legal innovations, bills of exchange, marine insurance contracts and the emergence of the joint-stock company.

16. In the same way, innovations in the modern world mean that the scope of production need no longer be national, but can be expanded to be International. We should not forget, however, that globalization is not solely the unification of the arena for production, investment, finance and trade; it is above all enlargement of the space for human action. Globalization must be beneficial to humans and should not require sacrifices from them. In other words, the economy is not a deterministic phenomenon; it is the result of political choices. Ordinary people must find a balance between the competition that is necessary for economies to survive and grow and the solidarity that is a weapon against inequality and unemployment.

17. It is not true that we are powerless in the face of such problems. Even the most serious problems, such as the problems of exchange speculation, have solutions. On the other hand, what is needed is political will to examine the solutions and implement them. That implies that societies must organize and influence their Governments.

Mr. David Hartridge, Director, Financial Services Division, World Trade Organization

18. The closure in 1993 of the Uruguay Round was marked by a number of events of decisive economic importance, among them the conclusion of the General Agreement on Trade in Services (GATS). GATS, which shares the philosophy propagated by GATT over the past 50 years with respect to trade in goods, aims at liberalizing trade in services, i.e. at facilitating the globalization of this sector. When speaking of economic globalization, one cannot overlook the action of GATT.

19. The intention of the agreement on services is to liberalize national markets so that efficient foreign producers can propose their services. Implicitly, therefore, it means promoting investment. The Agreement provides for the liberalization of all services, although what we are talking about here is primarily financial services. Financial services are, together with telecommunications, probably an essential part of any modern economy.

20. The conclusion of the Agreement means that nearly 90 countries - some two thirds of which are developing countries - are going to allow banks and insurance companies to set up in their territory. The great surprise is the extent of the participation by developing countries. Early on in the Uruguay Round, in the 1980s, developing countries were hesitant about such things. The Indian Ambassador explained his country's position in this way: if the Indian financial market was opened up, the major foreign banks would seize control of the profit-making activities, especially in the cities. By so doing, they would break the solidarity network imposed on domestic institutions, which had to be present in the remotest corners of India. What, then, caused the developing countries to change their mind? Belonging to GATS will help them to stay in the race by maintaining credibility with investors and so attract substantial funds to finance their development.

Mr. Christian Comeliau, Professor, Graduate Institute of Development Studies (IEUD), Geneva

21. Why does globalization give rise to fear for human rights? Is there any way of overcoming that fear?

22. Given the abundance of literature dealing with globalization, it is very important - especially in view of the limits of financial logic - to find ourselves a few guide marks. Mr. Ricupero has pointed out to us one of the most important of them: the fact that an economy derives from a social choice, and not vice versa.

23. We also have to acknowledge what a huge force financial globalization is. Compared with world production and trade, monetary and financial markets are incredibly dynamic. Insofar as those markets are an essential tool of the

market economy, financial globalization has a decisive impact on the development of the world economy. It is, however, a blind force, for it has no other logic than its own expansion and accumulation. Financial globalization lends itself particularly well to merchandising. The financial sphere is, therefore, becoming increasingly divorced from the "real" economy and the most urgent social needs. That naturally brings up the question of the connection between financial globalization and human rights. Financial globalization is neither inimical nor conducive to the enjoyment of human rights. It simply ignores them, for its logic is entirely different: it is not concerned with a particular concept of man, his fate or his needs.

24. The phenomenon of financial globalization reflects the concentration of power in the hands of a certain number of economic, mostly financial agents without their having any concomitant political or social responsibility. It is vital, therefore, to channel this concentration of power by a number of rules. There is a need for a clearer institutional framework defining the places of the various players. What rules there are at present are vague and gravely inadequate. What our economic relations are determines what kind of society we will live in; that is far too important a matter to be left to the operation of some unthinking machinery. We must, therefore, establish institutional rules in place of the deification of financial profitability. In the final analysis, what is needed is an essentially political arrangement, the product of political choices that it is urgent to clarify.

25. Since, however, no political choice can be made in isolation from the society concerned, the first requirement is to build up a basis of social and political support for the type of choice needed, so that the deliberations do not proceed in the abstract, out of touch with the concrete changes in the world economy.

Mr. Patrice Meyer-Bisch, Coordinator, Interdisciplinary Institute of Ethics and Human Rights, University of Fribourg

26. In the context with which we are concerned, globalization should be seen as a transition from international to global networking, where the players no longer need to go through national entities.

27. The question of the rational organization of the responsibility of the players in the domain of human rights must first be approached from the point of view of logic.

28. In our Institute, we have, over the past six years, found that human rights circles have a very simplistic idea of the economy and economic circles. The economy is only a mechanism for the allocation of resources, and people do not see the whole of its investment dimension or how far the implementation of a certain number of rights is essential to development, even though that is pointed out in many texts. Among people concerned with economic ethics, the search is for universal, explicit rules and ideas about human rights are very poorly developed. There is a need, therefore, to think not only about the human rights responsibilities of economic players, but also about the economic logics we need with regard to specifically economic and social rights and, lastly, about the economic dimension of human rights in general.

29. The parallel economic and social study of human rights will enable us to set proper thresholds for making all of these rights actionable rights. A logical approach alone, however, is not enough; it must be supplemented by structural analysis.

30. States are often taken to task, particularly in international bodies, because they are considered as having exclusive responsibility for human rights. But, insofar as a State is subject to the rule of law, that is not true.

31. What is needed is to say who is responsible for what. Where human rights are concerned, a lot of progress has been made in terms of awareness of this partnership - with respect, for example, to child labour. A lot remains to be done concerning the less readily identifiable rights: the authority itself has to be networked. What is needed is to develop the International Labour Organization's standards while respecting the scale of markets and giving its rightful place to the right to training, a right that is fundamental to the respect of economic rights.